IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

POWER INTEGRATIONS, INC.,

Plaintiff,

v.

FAIRCHILD SEMICONDUCTOR INTERNATIONAL, INC., et al.,

Defendants.
/

No. C 09-5235 MMC

ORDER DENYING PLAINTIFF'S MOTION FOR SANCTIONS; DENYING DEFENDANTS' MOTION FOR SANCTIONS

Before the Court is plaintiff Power Integrations, Inc.'s ("Power Integrations") "Motion for Sanctions Pursuant to Rule 11 and 35 U.S.C. § 285," filed December 11, 2013. Defendants Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corporation, and System General Corporation (collectively, "Fairchild") have filed an opposition and cross-motion for sanctions, to which Power Integrations has filed a reply and opposition.[1] Having read and considered the papers submitted in support of and in

[1] After briefing was completed, Power Integrations filed a letter to which Fairchild responded by letter. Both letters are hereby STRICKEN, for the reason that neither party obtained prior Court approval for such filing. See Civil L.R. 7-3(d) (providing, with exceptions not applicable here, "[o]nce a reply is filed, no additional memoranda, papers or letters may be filed without prior Court approval"). The parties are further advised that the Court does not act on requests submitted by letter. See Civil L.R. 7-1 (requiring written request to be presented by motion or stipulation).

opposition to the motion, the Court rules as follows.[2]

1. Power Integrations' Motion for Sanctions

Pursuant to Rule 11 of the Federal Rules of Civil Procedure, the court may impose sanctions upon a party that files a claim that is "frivolous, unreasonable, without factual foundation, or asserted for an improper purpose." See Q-Pharma, Inc. v. Andrew Jergens Co., 360 F.3d 1295, 1300 (Fed. Cir. 2004). By the instant motion, Power Integrations seeks sanctions under Rule 11 in the form of dismissal of Fairchild's counterclaim for infringement of U.S. Patent No. 8,179,700 ("the '700 patent"), on the asserted ground that said counterclaim is "frivolous" (see Mot. at 1:8-9). Power Integrations further requests an award of attorneys' fees under 35 U.S.C. § 285. See 35 U.S.C. § 285 (providing "court in exceptional cases may award reasonable attorney fees to the prevailing party").[3]

"The word 'frivolous' . . . is a shorthand that [the Ninth Circuit] has used to denote a filing that is both baseless *and* made without a reasonable and competent inquiry." In re Keegan Mgmt. Co., Sec. Litig., 78 F.3d 431, 434 (9th Cir. 1996) (emphasis in original) (quoting Townsend v. Holman Consulting Corp., 929 F.2d 1358 (9th Cir.1990) (en banc)). "[T]he key factor in determining whether a patentee performed a reasonable pre-filing inquiry is the presence of an infringement analysis . . . , [which] can simply consist of a good faith, informed comparison of the claims of a patent against the accused subject matter." Q-Pharma, Inc., 360 F.3d at 1302 (internal citations omitted). A party "may not be sanctioned for a complaint that is not well-founded, so long as [it] conducted a reasonable inquiry." In re Keegan, 78 F.3d at 434.

Power Integrations asserts Fairchild's counterclaim for infringement of the '700 patent is frivolous because "Fairchild either failed to conduct a reasonable pre-suit

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[2] By order filed January 23, 2013, the Court took the matter under submission and vacated the hearing scheduled for January 25, 2013.

[3] Power Integrations also seeks, under the Court's inherent authority, additional sanctions "against Fairchild and its counsel in whatever manner the Court deems appropriate to deter future . . . abuse of the judicial process and the Court's resources." (See Mot. at 14:2-3.)

investigation, or it knew that Power Integrations' LinkSwitch-II products cannot infringe and brought its claims anyway." (See Mot. at 11:17-19.) In support of such assertion, Power Integrations argues an adequate pre-suit investigation would have revealed that each claim of the '700 patent recites a control circuit having a switching signal with a minimum on time that is adjusted or varied according to an input voltage, whereas its products use a switching signal with a minimum on time that does not vary. In that regard, Power Integrations argues the term "minimum on time," as used in Fairchild's claims, means "the shortest permissible on time of the switching signal." (See Reply at 11:5-6.) Fairchild, on the other hand, argues said term means "the time in which the pulse width of the switching signal is on" (see Opp'n at 15:5-6), which Power Integrations has not asserted is invariable in the accused products.

In support of their respective positions, each party has submitted a declaration of an expert in the subject field. (Compare Supplemental Decl. of Dr. Arthur Kelley (Power Integrations) ¶ 20 (stating "a person of ordinary skill in the art would understand that 'minimum on time' is used in the '700 patent in its ordinary sense in this field, to mean 'the shortest permissible on time' of the switching signal"), with Decl. of Jonathan R. Wood (Fairchild) ¶ 14 (stating "[o]ne of ordinary skill in the art reading the entire intrinsic record would conclude that the 'minimum on time of the switching signal' in the '700 patent refers to how long the switching signal is actually on in any given cycle").) Although Fairchild's interpretation of its claims ultimately may be found to be incorrect, the Court, on the record before it, cannot say it is baseless. See Q-Pharma, Inc., 360 F.3d at 1301 (noting "it is not for [the court] to determine whether [the plaintiff]'s pre-filing interpretation of the asserted claims was correct, but only whether it was frivolous").

Further, Power Integrations has offered no evidence showing Fairchild failed to conduct a reasonable pre-filing investigation. Indeed, Power Integrations acknowledges that "[o]ver a period spanning several years, Fairchild investigated and researched the accused . . . product family as part of its claims in another of the parties' cases in

Delaware." (See Mot. at 11:22-24.) Moreover, Fairchild, shortly after filing its counterclaim, served a Supplemental Disclosure of Asserted Claims and Infringement Contentions containing a claim chart comparing the claims of the '700 patent with Power Integrations' accused products. (See Elman Decl. Ex. J.)

Accordingly, Power Integrations' motion will be denied.

2. Fairchild's Cross-Motion for Sanctions

In its opposition, Fairchild includes a cross-motion for monetary sanctions against Power Integrations under Rule 11, asserting Power Integrations "filed and pursued [its] [m]otion for [s]anctions for the improper purposes of increasing the cost of litigation and to harass and bully Fairchild into abandoning its good faith infringement allegations." (See Opp'n at 18:8-10); Fed. R. Civ. P. 11(b)(1); see also Fed. R. Civ. P. 11(c)(2) (providing "[i]f warranted, the court may award to the prevailing party the reasonable expenses including attorney's fees, incurred for the motion"); Patelco Credit Union v. Sahni, 262 F.3d 897, 913 (9th Cir. 2001) (holding "party defending a Rule 11 motion need not comply with the separate document and safe harbor provisions when counter-requesting sanctions"). Fairchild further moves for sanctions under 28 U.S.C. § 1927. See 28 U.S.C. § 1927 (providing court may sanction attorney who "multiplies the proceedings in any case unreasonably and vexatiously"); see also In re Keegan, 78 F.3d at 436 (holding § 1927 sanctions "must be supported by a finding of subjective bad faith").[4]

Citing to the Federal Circuit's unpublished decision in Eon-Net LP v. Flagstar Bancorp, 249 Fed. Appx. 189, 195-96 (Fed. Cir. 2007), Fairchild argues Power Integrations is aware "it would be an abuse of discretion for a [district] court to grant a motion for sanctions involving claim construction issues prior to a proper *Markman* procedure." (See Opp'n at 19:11-12); see also Markman v. Westview Instruments, Inc., 517 U.S. 370, 372 (1996) (holding "construction of a patent, including terms of art within its claim, is exclusively within the province of the court"); Patent L.R. 4-1 to -7 (setting forth the

[4] Additionally, Fairchild relies on the Court's inherent authority.

procedure for claim construction). The Court, however, does not read Eon-Net as announcing a general principle to such effect, but rather as making a finding based on the particular facts before it, which are distinguishable from those presented here. See Eon-Net, 249 Fed. Appx. at 195-96 (holding district court erred where it sua sponte found patent did not cover alleged infringing product and awarded sanctions based on such finding without providing parties opportunity to address claim construction).

Although the Court agrees that in most instances, including this one, it is preferable that a motion for sanctions not be filed prior to a Markman hearing and the resulting claim construction, see, e.g., Safe-Strap Co., Inc. v. Koala Corp., 270 F. Supp. 2d 407, 417 (S.D.N.Y. 2003) (denying defendant's Rule 11 motion for dismissal as sanction; noting "[c]ourts ordinarily defer this determination until the end of the litigation"), the Court, having considered the parties' arguments in support of their respective proposed constructions of the term at issue, finds the record presented does not support a finding of bad faith.

Accordingly, Fairchild's cross-motion for sanctions will be denied.

CONCLUSION

For the reasons stated above:

1. Power Integrations' motion for sanctions and attorneys' fees is hereby DENIED.
2. Fairchild's cross-motion for sanctions is hereby DENIED.

IT IS SO ORDERED.

Dated: February 25, 2013

MAXINE M. CHESNEY
United States District Judge